

ORIGINAL



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MEMORANDUM

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TO: Docket Control

FROM: Ernest G. Johnson  
Director  
*for* Utilities Division

DATE: November 17, 2006

RE: STAFF REPORT FOR CAVE CREEK WATER COMPANY APPLICATION  
FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND  
NECESSITY FOR WATER SERVICES. DOCKET NO. W-01452A-06-0449

Attached is the Staff Report for this application. Staff recommends the Commission issue an Order Preliminary in this case.

EGJ:LAJ:tdp

Originator: Linda Jaress

Arizona Corporation Commission  
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Service List for: Cave Creek Water Company  
Docket No. W-01452A-05-0082

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STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

CAVE CREEK WATER COMPANY

DOCKET NO. W-01452A-06-0449

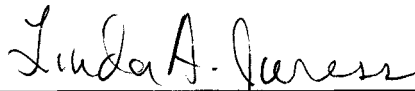
APPLICATION FOR AN EXTENSION OF ITS CC&N  
TO PROVIDE WATER SERVICE IN MARICOPA COUNTY, ARIZONA

November 2006

## STAFF ACKNOWLEDGEMENT

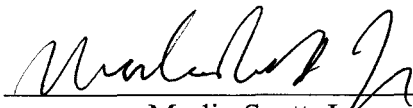
The Staff Report for Cave Creek Water Company (Docket No. W-01452A-06-0449) was the responsibility of the Staff members listed below. Linda Jaress prepared the Staff Report. Marlin Scott, Jr. prepared Staff's Engineering Report.

Contributing Staff:



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Linda A. Jaress  
Executive Consultant II



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Marlin Scott, Jr.  
Utilities Engineer

**EXECUTIVE SUMMARY  
CAVE CREEK WATER COMPANY  
DOCKET NO. W-01452A-06-0449**

On July 6, 2006, Cave Creek Water Co. ("Cave Creek" or "the Company") filed an application to extend its Certificate of Convenience and Necessity ("CC&N") to provide water service to approximately 14,086 additional acres. Of that area, Cave Creek has requests for service for less than 360 acres. Much of the extension area is state land and county park.

The Company does not have sufficient storage for current and future customers. Therefore, Staff recommends that the Commission issue an Order Preliminary in this case. When the Company files evidence that a new storage tank is installed and in service and requests a final order, Staff will file a recommendation that the Commission issue a final order in this matter.

Staff believes that due to the ongoing condemnation proceeding concerning the Town of Cave Creek, this may not be an appropriate time to extend a CC&N into areas for which there are no requests for service. In addition, a letter from the Arizona Department of Land underscores the absence of a need for service in large portions of the proposed extension area for at least five years. However, the Company is already serving approximately 200 customers in areas outside its CC&N. Staff believes the areas outside the Company's CC&N currently being served should ultimately be included within the CC&N to bring the Company into compliance with the Arizona Revised Statutes and the Arizona Administrative Code.

For reasons specific to this case, Staff recommends the Commission's final order (i.e., after compliance with the Order Preliminary) approve the extension of the Company's CC&N to areas currently being served outside its CC&N and to areas for which there are requests for service.

Staff also recommends that the Company file with Docket Control, as a compliance item in this docket, copies of the Approval to Construct for the Phase 1 projects needed to serve the requested areas within 6 months of the effective date of the final order in this proceeding.

Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the first developer's Certificate of Assured Water Supply for the requested area within two years of the effective date of the final order in this proceeding.

Staff recommends that Cave Creek charge its current, approved rates to the new customers in the extension area.

Staff recommends that Cave Creek be ordered to file the necessary franchise for the extension area within 365 calendar days of the final order in this case as a compliance item in this docket.

Staff further recommends that the Commission's final order granting this extension of Cave Creek's CC&N be considered null and void after due process should Cave Creek fail to meet the above conditions within the time specified.

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## **INTRODUCTION**

On July 6, 2006, Cave Creek Water Co. ("Cave Creek" or "the Company") filed an application to extend its Certificate of Convenience and Necessity ("CC&N") to provide water service to approximately 14,086 additional acres. Of that area, Cave Creek received requests for service for less than 360 acres. Cave Creek provides water service to approximately 2,460 customers within and around the Town of Cave Creek in northeast Maricopa County. It currently provides service to 200 customers in the extension area.

On November 14, 2006, the Company revised the legal description and map of the proposed extension area. Staff has not had an opportunity to review and verify the map. Staff will provide its updated map and legal description as soon as possible and before the hearing in this matter.

Since February 1, 2005, Global Water Management, LLC ("GWM") was appointed by the Arizona Corporation Commission ("the Commission") as the interim manager for the Sabrosa Water Company ("Sabrosa"). Sabrosa is located six sections northwest of Cave Creek's current service territory and provides service to approximately 52 customers. According to the Sabrosa Water Company Report filed with the Commission by GWM on May 31, 2006, GWM lost \$130,316 operating Sabrosa during its first year as interim manager.

Global Water Resources, LLC, an affiliate of GWM, has owned Cave Creek since 2005. There are no sewer providers in the areas for which Cave Creek is applying.

## **REQUESTS FOR SERVICE**

Attached to its application, Cave Creek has provided the approved line extension agreements under which service was extended to the areas it is serving outside its CC&N. Many of the agreements were dated before Cave Creek was purchased by Global Water Resources, LLC.

Cave Creek does not have requests for service for most of the extension area it is seeking. The requests for service Cave Creek has filed represent a combined area of approximately 360 acres compared to the 14,086 acres requested. Cave Creek's application indicates that even though it is a strong proponent for requiring requests for service for extensions of CC&Ns, this is an exceptional situation. The Company believes that if its application to serve areas for which it does not have requests for service is approved, the extensions will be the first step to solving Sabrosa's problems, the need for renewable surface water in the area will be fulfilled, and additional points of interconnection with Desert Hills Water Company would be facilitated.

Staff requested that Cave Creek provide documentation from landowners in the extension area indicating their agreement or disagreement with inclusion of their land in the proposed CC&N extension. On November 13, 2006, Cave Creek provided a copy of an informational packet it sent to 1,100 landowners on November 8. A copy of the packet which requests the

opinion of the landowners is attached as Exhibit 1 to this report. The Company will compile the responses and provide them to Staff. The responses may aid the Commission in its decision whether to include areas for which there are no corresponding requests for service in the proposed CC&N area.

Most of the extension area is owned by the Arizona State Land Department ("Land Department"). On November 9, 2006, the Company filed a letter from the Land Department in which the Land Department said it is "currently working with the Town of Cave Creek on the annexation of a significant amount of State Trust land in this same area." Also;

"It should also be noted that none of the State Trust land contained within the proposed extension is contained within the ASLD [Land Department] 5-year Plan for disposition nor is the ASLD aware of potential applicants interested in purchasing or leasing this land. This could mean that a significant amount of time will pass before development occurs in this area."

The Commission has expressed concern over the issue of extensions to areas for which there are no requests for service. This issue is currently being addressed in other dockets, most recently in an Arizona Water Company ("Arizona Water") docket, W-01445A-06-0059. In that docket, Arizona Water requested to extend its service territory to several areas (some small, some as large as a section) where it did not have requests for service but which were contiguous to its current service territory and filled in gaps within its service territory. Staff expects the Commission will decide the Arizona Water docket at a future Open Meeting, after this Staff Report is filed. Global Water Resources, LLC, Cave Creek's parent, filed a letter in that docket which contained, in part, the following:

"Global Water Resources, LLC ("Global") would like to bring to your attention a serious issue with regard to this docket. Specifically, Arizona Water Company ("AWC") has **not provided requests for service** for a substantial part of the proposed extension in this case...AWC should be directed, in no uncertain terms, to stop its practice of filing for extensions without legitimate requests for service from all affected landowners."

Another large portion of the requested area is the Cave Creek Recreation Area, a Maricopa County regional park. As of the date of this report, there has been no request for service or letter of support filed by Maricopa County.

## THE TOWN OF CAVE CREEK

On October 24, 2006, the Town of Cave Creek ("the Town") filed an application to intervene in this proceeding. The Town argued that it has an interest in the proceeding because the Town expects to acquire Cave Creek Water Company through a condemnation case which is currently pending. The Town also argues that "The only purpose to be served by the premature extension of the Water Company's CC&N to these areas would be the potential for enhancement

of the Water Company's claims for 'just compensation' in the pending eminent domain action by the town."

## **CAVE CREEK'S WATER SYSTEM**

Staff's Engineering Report, attached as Exhibit 2, discusses the Company's current water system and capacity along with the plans to serve the proposed extension area. According to the Report, Cave Creek has a 2,100 gallon per minute ("GPM") Central Arizona Project ("CAP") water treatment source, seven wells producing 760 GPM, 695,000 gallons of storage capacity, and a distribution system serving 2,460 service connections as of July 2006. The Company has acknowledged that its storage capacity of 695,000 gallons is inadequate to serve the current customers. This inadequate storage capacity is due to recent changes in the groundwater well operation where the wells are now connected to the inlet of the CAP water treatment plant and therefore no longer considered in the storage capacity calculation. The groundwater well operation has changed due to the majority of the wells exceeding the new arsenic standard. The Company also plans to add storage capacity as part of the construction to serve the customers in the proposed areas. According to the Company, no additional storage tank sites were available within the existing CC&N and the requested CC&N areas would provide additional tank sites.

Based on historical growth rates, it is anticipated that the existing service area could grow to approximately 3,300 connections at the end of five years. The Company has estimated the addition of 1,000 connections for the proposed CC&N extension by the end of five years, resulting in a projected total customer base of approximately 4,300 at the end of five years.

Staff concludes that the proposed major plant facilities to serve the requested areas and its cost estimate totaling \$14,117,000 appear to be reasonable. Staff also concludes that the existing system has adequate source production capacity but does not have adequate storage capacity to serve the existing and proposed CC&N extension. Thus, Staff recommends that any CC&N extension not be approved until the proposed Phase 1, 1.0 million-gallon storage tank is installed and in service.

## **MARICOPA COUNTY ENVIRONMENTAL SERVICES DEPARTMENT**

Maricopa County Environmental Services Department ("MCESD") regulates the water system under Public Water System I.D. #07-016. Based on compliance information submitted by the Company, the system has no deficiencies and MCESD has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.

Staff recommends that the Company file with Docket Control, as a compliance item in this case, The MCESD Certificate of Approval to Construct ("ATC") for major plant facilities for the Phase 1 projects within 6 months of the effective date of the final order in this proceeding.

According to the Company annual reports, the arsenic levels for its Central Arizona Project ("CAP") water source is 4 parts per billion ("ppb") and its seven wells range from 3 ppb to 280 ppb. The seven wells are connected to the inlet of the water treatment plant and could only be used under the treatment strategy that was approved by MCESD. Based on this approved operation by MCESD, the Company is in compliance with the new arsenic standard of 10 pp.

## **ARIZONA DEPARTMENT OF WATER RESOURCES**

Cave Creek is located within the Phoenix Active Management Area ("AMA") and is in compliance with its reporting and conservation requirements. Staff recommends that the Company file with Docket Control, as a compliance item in this case, a copy of the first developer's Certificate of Assured Water Supply for the requested area within two years of the effective date of the final order in this proceeding.

## **CONCLUSIONS AND RECOMMENDATIONS**

The Company does not have sufficient storage for current and future customers. Therefore, Staff recommends that the Commission issue an order preliminary in this case. When the Company files evidence that a new storage tank is installed and in service and requests a final order, Staff will file a recommendation that the Commission issue a final order in this matter.

Staff believes that due to the possible impact on the ongoing condemnation proceeding concerning the Town of Cave Creek, this may not be an appropriate time to extend a CC&N into areas for which there are no requests for service. In addition, the letter from the Land Department underscores the absence of a need for service in large portions of the proposed extension area for at least five years. However, the Company is already serving areas outside its CC&N. Staff believes the areas outside the Company's CC&N currently being served should ultimately be included within its CC&N to bring the Company into compliance with the Arizona Revised Statutes and the Arizona Administrative Code.

For reasons specific to this case, Staff recommends the Commission's final order approve the extension of the Company's CC&N to areas currently being served outside its CC&N and to areas for which there are requests for service.

Staff also recommends that the Company file with Docket Control, as a compliance item in this docket, copies of the Approval to Construct for the Phase 1 projects needed to serve the requested areas within 6 months of the effective date of the final order in this proceeding.

Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the first developer's Certificate of Assured Water Supply for the requested area within two years of the effective date of the final order in this proceeding.

Staff recommends that Cave Creek charge its current, approved rates to the new customers in the extension area.

Staff recommends that Cave Creek be ordered to file the necessary franchise for the extension area within 365 calendar days of the final order in this case as a compliance item in this docket.

Staff further recommends that the Commission's final order granting this extension of Cave Creek's CC&N be considered null and void after due process should Cave Creek fail to meet the above conditions within the time specified.

**Cave Creek Water Company**  
**Responses to Staff's Second Set of Data Requests**  
**Docket No. W-01452A-06-0449**  
**November 13, 2006**

Staff 2.1

For all areas for which you are requesting approval to extend your CC&N but do not have a request for service, provide a letter or similar document signed by the landowner. The document should indicate whether the landowner agrees with the inclusion of the property in the CC&N, disagrees or has no opinion. If a letter or similar document from the owner of an area at issue is not acquired, provide a description of the efforts taken by the Company to acquire such a document.

**RESPONSE:**

Cave Creek Water Company ("Company") shares Staff's concern for landowner notice. Accordingly, the Company is taking the following efforts, which are in addition to mailing and publishing the notice required as by the procedural order. The Company is mailing an informational packet to the landowners. The packet consists of a memorandum to the landowner, a copy of the notice, and a postage-paid comment card. A copy of the informational packet is attached. The Company will compile the responses and report them to Staff. The informational package was mailed to customers on November 8, 2006. The informational package is being sent to all of the more than 1100 landowners of record in the extension area. A copy of the mailing list is attached.

**RESPONDENT:**

Graham Symmonds  
Senior Vice President  
Global Water Resources, LLC  
21410 North 19<sup>th</sup> Avenue, Suite 201  
Phoenix, Arizona 85027



**GLOBAL WATER**  
RELIABLE • RENEWABLE • REUSABLE

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MEMORANDUM

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**FROM:** CAVE CREEK WATER COMPANY  
**SUBJECT:** EXTENSION OF CERTIFICATE FOR CAVE CREEK WATER COMPANY  
ARIZONA CORPORATION COMMISSION DOCKET NO. W-01452A-06-0449  
**DATE:** 11/8/2006

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This summer, Cave Creek Water Company (CCWC) applied to the Arizona Corporation Commission (ACC) to extend its service area (known as a Certificate of Convenience and Necessity, or CC&N). This extension generally includes areas west from Cave Creek to 7<sup>th</sup> Street, and north to the Circle Mountain area.

This represents an opportunity for the supply of treated surface water (from the Central Arizona Project canal) to the area in lieu of groundwater. As many of you know, the groundwater resources in the area are declining, and many wells require treatment for such constituents as nitrate, arsenic and fluoride. The use of surface water, in contrast, provides for a renewable resource option for the area, saving our state's precious non-renewable resources (groundwater).

Several weeks ago, we sent you the attached public notice detailing the CCWC request. If our requested extension is granted, CCWC can begin the deployment of the necessary infrastructure to bring surface water to your area. Including your property in the CC&N service area will allow for the potential of bringing this service to your property. You do, however, have the right to object to the inclusion of your property in this extension request.

Enclosed you will find a postage-paid reply card. On it you may indicate your preference with respect to this petition. Please note that if you choose to decline the inclusion of your property at this time, including your property at some future date in a CC&N extension application may require your financial participation. In the present case, all costs associated with this extension are being borne by CCWC.

If you have questions about this matter, please call our Growth Services department at 623.580.9600.

Please return the card in the mail before November 15, 2006.

**PUBLIC NOTICE OF THE HEARING FOR THE APPLICATION OF  
CAVE CREEK WATER COMPANY FOR AN EXTENSION OF ITS  
CERTIFICATE OF CONVENIENCE AND NECESSITY**

**Docket No. W-01452A-06-0449**

On September 20, 2006, Cave Creek Water Company ("CCWC" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for an extension of its Certificate of Convenience and Necessity ("Certificate") to provide water service in Maricopa County, Arizona. If the application is granted, the Applicant would be the exclusive provider of water service to the proposed extension area and would be required by the Commission to provide service under rates and charges and terms and conditions established by the Commission. The application, report of the Commission's Utilities Division Staff, and any written exceptions to the staff report prepared by the Applicants are available for inspection during regular business hours at the offices of the Commission located at 1200 West Washington Street, Phoenix, Arizona 85007, and at offices of the Company, Cave Creek Water Company, 21410 North 19<sup>th</sup> Avenue, Suite 201, Phoenix, Arizona 85027 and on the internet via the Commission website ([www.azcc.gov](http://www.azcc.gov)) using the e-docket function.

The Commission will hold a public hearing on this matter on **November 30, 2006 at 10:00 a.m.** at the Commission's offices, at 1200 West Washington Street, Phoenix, Arizona. Public comment will be taken on the first day of the hearing.

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene in the proceedings and participate as a party. Intervention shall be permitted to any person entitled by law to intervene and having a direct and substantial interest in the matter. Persons desiring to intervene must file a written motion to intervene with the Commission and send such motion to the Company or its counsel and to all parties of record, and which at the minimum, shall contain the following:

1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g. a customer of the Company, a shareholder of the Company, a competitor, etc.).
3. A statement certifying that a copy of the motion to intervene has been mailed to the Company or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before November 3, 2006. The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. Failure to intervene will not preclude any interested person or entity from appearing at the hearing and making a statement on their own behalf. You will not, however, receive any further notice of the proceeding unless requested by you. Please check with the Commission for any changes to the scheduled hearing date.

If you have any comments, mail them to:

The Arizona Corporation Commission  
Attention Docket Control  
re: Cave Creek Water Company  
W-01452A-06-0449  
1200 West Washington Street  
Phoenix, Arizona 85007

If you have any questions about this application, you may contact the applicant at (623) 580-9600. If you wish to file written comments on the application or want information on intervention, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as sign language interpreter, as well as request this document in an alternative format, by contacting Linda Hogan, ADA Coordinator, voice phone number 602-5423931, E-mail [lhogan@azcc.gov](mailto:lhogan@azcc.gov). Requests should be made as early as possible to allow time to arrange the accommodation.

**CAVE CREEK WATER COMPANY**  
21410 N. 19<sup>th</sup> Ave., Ste. 201  
Phoenix, AZ 85027

**ACC Docket No. W-01452A-06-0449**

- ☐ I support the extension of the Company's Certificate
- ☐ I oppose the extension of the Company's Certificate
- ☐ I have no opinion on the extension of the Company's Certificate

Address: \_\_\_\_\_  
\_\_\_\_\_

## MEMORANDUM

DATE: November 3, 2006

TO: Linda Jaress  
Executive Consultant III

FROM: Marlin Scott, Jr. *MSJ*  
Utilities Engineer

RE: Cave Creek Water Company  
Docket No. W-01452A-06-0449 (CC&N Extension)

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### **Introduction**

Cave Creek Water Company ("Company") has applied to extend its Certificate of Convenience and Necessity ("CC&N") for its water system. The requested areas will add approximately 21-1/2 square-miles to the Company's existing 21-1/4 square-miles of certificated area. The Company serves in the Town of Cave Creek, Town of Carefree and in unincorporated Maricopa County.

### **Capacity**

#### Existing Utility Plant

According to water use data submitted by the Company, the Company has a 2,100 gallons per minute ("GPM") Central Arizona Project ("CAP") water treatment source, seven wells producing 760 GPM, 695,000 gallons of storage capacity, and a distribution system serving 2,460 service connections as of July 2006. Based on historical growth rates, it is anticipated that the existing service area could grow to approximately 3,300 connections at the end of five years. The Company has predicted an additional 1,000 connections for the proposed CC&N extensions at the end of five years, resulting in a projected total customer base of approximately 4,300 at the end of five years. Based on the existing source production and storage capacities, the system can currently adequately serve approximately 740 service connections (governed by storage capacity). The storage capacity of 695,000 gallons is inadequate to serve the current customer base of 2,460 service connections. The Company has acknowledged this inadequacy.

Proposed Plant Facilities

The Company is proposing to fund the required plant facilities to the requested areas by equity and advances in aid of construction. The Company will construct the proposed major plant facilities in phases as follows:

- A. Phase 1 – Water treatment plant expansion at \$850,000.  
Phase 1 – 1.0 million gallon (“MG”) storage tank, booster system and 7,000 feet of main at \$2,642,000.  
Phase 1 – Estimated construction completion date: 4th quarter of 2007.
- B. Phase 2a – Water treatment plant expansion at \$850,000.  
Phase 2a – Estimated construction completion date: 4th quarter of 2007.
- C. Phase 2b – 0.25 MG storage tank, booster system and 25,000 feet of main at \$2,435,000.  
Phase 2b – Estimated construction completion date: 4th quarter of 2008.
- D. Phase 2c – 2.0 MG storage tank, booster system and 45,000 feet of main at \$7,340,000.  
Phase 2c – Estimated construction completion date: 4th quarter of 2009.
- E. Total construction cost: \$14,117,000

Staff concludes that the proposed major plant facilities to serve the requested areas and its cost estimate totaling \$14,117,000 appear to be reasonable. However, no “used and useful” determinations of the proposed plant items were made and no particular treatment should be inferred for rate making or rate base purposes.

Capacity Conclusion and Recommendation

The existing system has adequate source production capacity but does not have adequate storage capacity to serve the existing and proposed CC&N extension areas. The storage capacity of 695,000 gallons is inadequate to serve the current customer base of 2,460 service connections. This inadequate storage capacity is due to recent changes in the groundwater well operation where the wells are now connected to the inlet of the CAP water treatment plant and therefore no longer considered in the storage capacity calculation. The groundwater well operation has changed due to the majority of the wells exceeding the new arsenic standard.

To address this storage capacity inadequacy, the Company is proposing an additional 3.25 million gallons of storage capacity as listed in the above phase-in projects. According to the Company, no additional storage tank sites were available within the existing CC&N and the requested CC&N areas would provide additional tank sites.

Staff concludes that based on the proposed plant facilities the system will have adequate production and storage capacity to serve the existing and proposed CC&N extension areas within a conventional five year planning period and it can reasonably be expected that the Company will develop additional production and storage as required in the future.

Staff recommends that any CC&N extension not be approved for the Company until the Phase 1 – 1.0 MG storage tank is installed and in service.

### **Maricopa County Environmental Services Department (“MCESD”) Compliance**

#### Compliance Status

MCESD regulates the water system under Public Water System I.D. #07-016. Based on compliance information submitted by the Company, the system has no deficiencies and MCESD has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.

#### Certificate of Approval to Construct

The MCESD Certificates of Approval to Construct (“ATC”) for major plant facilities needed to serve the requested areas have not been submitted by the Company. Staff recommends that the Company file with Docket Control, as a compliance item in this case, copies of the ATC for the Phase 1 projects needed to serve the requested areas within six months of the effective date of an order in this proceeding.

#### Arsenic

According to the Company annual reports, the arsenic levels for its CAP water source is 4 parts per billion (“ppb”) and its seven wells range from 3 ppb to 280 ppb. The seven wells are connected to the inlet of the water treatment plant and could only be used under the treatment strategy that was approved by MCESD. Based on this approved operation by MCESD, the Company is in compliance with the new arsenic standard of 10 pp.

### **Arizona Department of Water Resources Compliance**

#### Compliance Status

The Company is located within the Phoenix Active Management Area (“AMA”) and is in compliance with its reporting and conservation requirements.

Certificate of Assured Water Supply

Staff recommends that the Company file with Docket Control, as a compliance item in this case, a copy of the first developer's Certificate of Assured Water Supply for the requested area within two years of the effective date of an order in this proceeding.

**Curtailment Tariff**

The Company has an approved curtailment tariff that became effective on September 30, 2005 per Decision No. 68190.

**Backflow Prevention Tariff**

The Company has an approved backflow prevention tariff that became effective on August 31, 1994 per Decision No. 58759.

**Summary**

Conclusions

- A. Staff concludes that the proposed major plant facilities to serve the requested areas and its cost estimate totaling \$14,117,000 appear to be reasonable. However, no "used and useful" determinations of the proposed plant items were made and no particular treatment should be inferred for rate making or rate base purposes.
- B. Based on compliance information submitted by the Company, the system has no deficiencies and MCESD has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.
- C. Based on this approved operation by MCESD, the Company is in compliance with the new arsenic standard of 10 ppb.
- D. The Company is located within the Phoenix AMA and is in compliance with its reporting and conservation requirements.
- E. The Company has an approved curtailment tariff that became effective on September 30, 2005 per Decision No. 68190.
- F. The Company has an approved backflow prevention tariff that became effective on August 31, 1994 per Decision No. 58759.

Recommendations

1. The existing system has adequate source production capacity but does not have adequate storage capacity to serve the existing and proposed CC&N extension areas. The storage capacity of 695,000 gallons is inadequate to serve the current customer base of 2,460 service connections. Staff recommends that any CC&N extension not be approved for the Company until the Phase 1 – 1.0 MG storage tank is installed and in service.
2. Staff recommends that the Company file with Docket Control, as a compliance item in this case, copies of the ATC for the Phase 1 projects needed to serve the requested areas within six months of the effective date of an order in this proceeding.
3. Staff recommends that the Company file with Docket Control, as a compliance item in this case, a copy of the first developer's Certificate of Assured Water Supply for the requested area within two years of the effective date of an order in this proceeding.